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MEASURING IMPACT WITH THE SOCIAL RETURN ON INVESTMENT: THE CASE OF THE SOCIAL INNOVATION HUB

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Abstract

There is a growing interest in social impact assessment across the private, the public and the nonprofit sector. However, there is still limited academic research produced in this area, particularly in what concerns to the application of the Social Return of Investment (SROI) methodology. The goal of this Work Project is to give an overview of the social impact measurement literature and apply the Social Return on Investment, a flagship methodology to measure impact, to the specific case of the Social Innovation Hub (SIH). The findings suggest that each 1€ invested on the SIH generates 1,21€ in terms of social value. While this value seems very appealing to use, there are some risks in monetizing impact in such way, mainly due to the lack of reliable data available for benchmarking purposes.

Key Words: Social impact measurement; Social Return on Investment (SROI); Social Innovation Hub (SIH); Nonprofit.

1. Introduction

The famous statement “*What gets measured gets managed*” (Willcocks and Lester 1999: 71) is becoming a common practice within the nonprofit sector¹. In fact, several social impact measurement tools have been created and developed (Mulgan, 2010) with the hope that they can generate improvements that increase the value of initiatives, projects or programs to the people they serve, and help donors (whether public or private) realize where their funding create the most social impact (McKinsey & Company, 2010). Consequently, funders’ requirements have become more demanding (Ellis, 2008), meaning that they are more keen to give their money if nonprofit

¹ Nonprofit sector is defined as the collection of entities which serve the public good and do not distribute profits to members or owners (Salamon, 1994)

organizations are able to measure and convincingly prove their social impact. There is also a push from nonprofit organizations to better demonstrate the value they are creating (Arvidson, *et al.*, 2010). The nonprofit sector is becoming increasingly professionalized (Hwang and Powell, 2009) and competitive, a reality that is exacerbated by the current economic crisis and that decreases the allocation of private and public resources, heightening the competition between the nonprofit organizations (Ebrahim and Rangan, 2010).

In spite of the increasing interest and development of the social impact measurement field, there are, however, significant challenges and limitations that must be recognized. Some of them are pointed by Tuan (2008), namely the lack of common measures, quality data and the cost of measurement. One cause of these limitations is the fact that there is an attempt to develop objective measures, based on subjective value judgments. This happens because *“doing good is a matter of societal values about which there may be little or no consensus”* (Kanter and Summers, 1994: 221). This means that, for the same outcome, one should expect inconsistency regarding its value, as different people value it in different ways.

Acknowledging that social impact measurement is a hot topic for both nonprofit organizations and grantmakers, the Social Entrepreneurship Institute² (SEI) has been developing knowledge in this particular area. In this sense, the SEI supervised this Work Project which aims to measure the social impact of the Social Innovation Hub

² Social Entrepreneurship Institute (in portuguese Instituto de Empreendedorismo Social) is a membership-based nonprofit organization located in Cascais, Portugal. It is aimed at supporting individuals and organizations that seek to create social and environmental positive change. One of SEI's main objectives is to build capacity for greater impact in the Portuguese society and it has two main areas of intervention: 1. Research and Development and 2. Education and Training).

(SIH), a program managed by SEI and created and financed by the Social Innovation Division of EDP Foundation³.

SIH brings together, at a local level, the different parts of the private, public and nonprofit sector to tackle deprivation and social exclusion of local communities, by encouraging the different parts to work together to achieve better results, particularly, by improving the way that the initiatives are coordinated. To measure its impact it was chosen the Social Return on Investment (SROI) methodology, which recently has been attracting a lot of attention, especially in the UK and USA, where it is more widely used (Wood, 2010, Arvindson, *et al.* 2010, Tuan, 2008). Also, as a company that is world leader in the social dimension of the Dow Jones Sustainability Index in the Electric Sector (EDP, 2011), EDP reveals strategic interests in using such an internationally recognized methodology for assessing the impact of the programs and projects supported. To achieve this goal, EDP Foundation joined the London Benchmarking Group (LBG), an international network of over 300 companies that use a common reporting format to describe their community involvement. Also, it provides its members the necessary data to calculate the SROI (LBG, 2011). The application of the LBG reporting system is under the responsibility of the Social Innovation Division of EDP Foundation.

Nevertheless, there is still limited academic research done about social impact measurement (Ebrahim and Rangan, 2010), and particularly regarding the SROI methodology (Arvidson *et al.*, 2010). Moreover, there are no studies or reports available about the application of SROI to Portuguese initiatives, at least published and available in the internet. For these motives, this Work Project is an important contribution to the

³ EDP Foundation is a private, non-profit-making institution set up by the Portuguese electricity company, EDP - Energias de Portugal.

social impact measurement field. Accordingly, the research question posed by this Work Project is: “To which extent is it possible to apply the SROI methodology to measure the social impact of SIH?”. In an attempt to find the answer, a brief literature review is presented, aiming at giving an overview about the social impact measurement field by reviewing the several methodologies that are in place to quantify the social impact and clarifying what distinguishes the SROI from the other methodologies. Then, a forecast SROI analysis is performed to assess if it can be successfully applied to the SIH’s case. Finally, some conclusions are outlined about the evaluation process and some questions are suggested for further research.

2. Literature Review

Social impact has a very broad definition and it is used with many different meanings (Karoly *et al.*, 2001). For the purpose of this Work Project social impact is defined as the “*significant or lasting changes in people’s lives, brought about by a given action or series of actions*” (Roche, 1999:21) Additionally, social impact measurement refers to the process of measuring the change that nonprofit organizations, programs and projects create (Mulgan, 2010). It is a growing field of knowledge which captured the attention of the business, government and, particularly, the nonprofit sector (Zappalà and Lyons, 2009). It is linked to the well-known philanthrocapitalism movement, which rouse during the 90s, intending to apply business methods to the social sector (Bishop and Green, 2008).

In fact, several methodologies and frameworks aimed to measure social impact urged in the past few years (Mulgan, 2010), as an attempt to assess whether the strategies chosen to solve the problems were being effective (Brest, Harvey and Low, 2009). In line with the philanthrocapitalism movement, some of them are influenced and

adapted from the private sector (Arvidson *et al.*, 2010) and take quantitative approaches to measure the social impact created. Although this Work Project's goal is not to explore in detail the referred approaches, an overview of the methodologies and the way they are measuring the social impact will be provided. The six methodologies mentioned are the Social Accounting and Auditing, Social Return on Investment, Best Available Charitable Option, Robin Hood Benefit-Cost ratio, William and Flora Hewlett Foundation Expected Return and Cost per Impact.

The Social Accounting and Auditing (SAA) is a framework built on documentation and reporting systems that specifies social, environmental and economic impacts (Owen and Swift, 2001). Another tool is the Social Return on Investment (SROI), which was designed by Roberts Enterprise Development Fund (Emerson, 1999). It computes a SROI ratio, indicating the social value⁴ created for each euro spent on an organization (Nicholls *et al.*, 2009). Similarly, the Best Available Charitable Option (BACO), developed by Acumen Fund, answers the following question: *“for each dollar invested, how much social impact will this generate over the life of the investment relative to the best available charitable option?”* (Acumen Fund, 2007:2). Benefit-Cost ratio (BCR), from Robin Hood Foundation, is focused on poverty reduction and assesses, from the pool of programs that deal with this problematic, which ones to fund and how much to spend on each one (Brest, Harvey and Low, 2009). Regarding William and Flora Hewlett Foundation Expected Return, the impact assessment is done through a consistent and quantitative process to evaluate potential investments by answering with numbers to the following questions: *“What's the goal? How much good can it do? Is it a good bet? How much difference will we make? What's the price tag?”* (Brest and

⁴ Social value describes the monetization of the social, economic and environmental impact.

Harvey, 2008:3). Finally, Cost per Impact from Center for High Impact Philanthropy, provides an answer to “*how much change costs?*” (Center for High Impact Philanthropy, 2008:1).

Frequently, these tools aim to fulfill three different roles at the same time – accounting to stakeholders, improving internal management and measuring social impact (Mulgan, 2010). Among these tools, the SROI has attracted a lot of attention recently, mainly because it involves stakeholders in the definition of important outcomes, monetizes social impact and the final ratio transmits a powerful message of the value created to funders that look for maximizing impact of their investments (Wood, 2010 and Arvidson *et al.*, 2010). Complementarily, it uses qualitative narratives to demonstrate how the value is created (Arvidson *et al.*, 2010) based on the Theory of Change, a concept that elucidates “*how and why an initiative works*” (Weiss, 1995:90) by explaining “*how early changes relate to more intermediate changes and then to longer-term change*” (Ellis, Parkinson and Wadia, 2011:2). Also, there are two types of SROI: the evaluative SROI looks into the past and measures outcomes that have already happened. The forecast SROI, predicts how much social impact will be created if the activities meet their intended outcomes (Nicholls *et. al*, 2009). One common critic to the SROI is that its valuation process relies heavily on judgments which, sometimes, can be arbitrarily estimated, affecting the final computed value (Mulgan, 2010). Still, it is worth mentioning that the SROI’s methodology is evolving and that experts are working to address its perceived limitations (Arvidson *et al.*, 2010).

3. Brief Description of Social Innovation Hub (SIH)

The SIH is a 3-year program created and financed by the Social Innovation Division of EDP Foundation and managed by the SEI. It brings together, at a local

level, the private, public and social sectors to improve the quality of life of excluded communities, encouraging the partners to work together to achieve better results, particularly, by improving the way that the different parts are coordinated. Hence, the aims are: 1. Identify problems, meaning the effective causes that contribute to social exclusion; 2. Promote and support new and innovative solutions; 3. Allow the better matching between resources and existent solutions by promoting regular and independent communication; 4. Reflect critically about the set of interventions; 5. Support project's promoters in their individual social impact measurement (Hub de Inovação Social, 2010). Currently, there are two pilot SIHs going on, one at S. Brás in Amadora's municipality and another one at Paranhos in Porto's municipality. Each of them is enabled by one facilitator. The SIH's target audience are the promoters of the ten social projects involved. The projects are individually financed (partially or entirely) by the EDP Foundation. All the projects operate at S. Brás, and seven of them also develop their activities in Paranhos. Together they achieve around 3,300 direct and indirect beneficiaries⁵.

The SIH is a relatively pioneer concept, meaning that its activities are innovative, but there are also other programs with the same kind of philosophy. For instance, in Portugal, there are the Social Networks, which are promoted by the Portuguese Social Security and applied at the municipal level through Local Social Action Councils (Núcleo da Rede Social do Instituto para o Desenvolvimento Social, 2001). When compared to the SIH, the main differences lie in the type of collaboration, which in the Social Networks is more informal, and the focus, which is placed on information sharing. Interestingly, the concept of the SIH is closer to the Collective

⁵ Direct beneficiaries are defined as the target audience of the projects, whereas indirect beneficiaries are accounted as their direct families.

Impact Initiatives which are “*long-term commitments by a group of important actors from different sectors to a common agenda for solving a specific social problem*” (Kania and Kramer, 2011:39). Indeed, the SIH has four of the five characteristics attributed to this kind of collaboration – a common agenda, mutually reinforcing activities, continuous communication and a backbone support organization. It only lacks a shared measurement system to fill all the conditions, meaning a system that monitors and evaluates the organizations on the same criteria. With this mechanism in place, organizations with the same type of activities report on the same indicators, which imply that different types of activities report a different set of indicators. Regardless, all the decisions are guided based on these data. (Kania and Kramer, 2009). Currently, all the results of SIH’s projects are reported quarterly, framed on the LBG reporting guidelines. However, all the projects are reporting their isolated impact, meaning that even if the projects have the same kind of activities, they might be using different indicators to report them. Consequently, it is not possible to compare their performances.

4. Methodology of Analysis

In order to collect the required data to apply the SROI analysis to the SIH, the following approach was taken:

I. Individual observation in the SIH monthly partners’ meetings: Through the participation and direct observation in two meetings, it was possible to gather relevant feedback to assess the SIH’s social impact. Nine people attended each meeting.

II. Identification of the key stakeholders: Besides the projects’ promoters, other SIH’s relevant stakeholders were identified.

III. Development of an evaluation survey: The main questions were related with the SIH's expectations, the self-evaluation of the activities, the communication and the SIH's perceived benefits and the preliminary outcomes.

IV. Personal interview with key stakeholders: 17 semi-structured interviews with the main stakeholders were conducted: nine interviews with the projects' promoters⁶, two with the professors, two with the municipalities, two with the facilitators and two with local institutions. The interviews were conducted between the 6th July and the 15th September of 2011 and took on average 40 minutes.

V. Organization and Analysis of the Information collected: a process file was created to assemble all the information gathered during phases I to IV.

VI. Calculation of the SROI: The assumptions behind the calculation of the value were done not only taking in account the collected data, but also, using other SROI reports that have similar information which can be extrapolated (University of Salford, 2011; Kennedy, 2010; New economics Foundation, 2009). To implement the SROI, the following guide was used: "A Guide to Social Return on Investment" (Nicholls *et. al*, 2009) published by the Cabinet Office of the Third sector, a leading actor in this field.

5. Discussion of Results

5.1. Steps to apply the SROI

Following the methodology described above, all the information required to compute the SROI was collected. Then, to proceed with the SROI analysis a six steps approach was taken: (1) Establishing scope and identifying key stakeholders, (2) Mapping outcomes, (3) Evidencing outcomes and giving them value, (4) Establishing impact, (5) Calculating the SROI and (6) Reporting. This Work Project applied the five

⁶ It was not possible to interview the promoter of one of the SIH's projects – Vende-se Filmes.

first steps. In order to better visualize and understand the SROI analysis, the Impact Map in Appendix I should be consulted at every stage.

i. Establishing scope and identifying key stakeholders

The purpose of the SROI analysis is to assess the SIH's social impact and also to provide a greater understanding of the process in order to understand where it can be improved. A brief description of the SIH's key stakeholders and their roles is presented below:

- **EDP Foundation** – The founding and funding partner of SIH.
- **SEI** – The organization responsible for the SIH's management (support, evaluation and administrative responsibilities).
- **Facilitators** – The people responsible for the proper progress of SIH. In this sense, facilitators organize the monthly partners' meeting and the individual meetings with the different projects' promoters. They are also responsible for the identification of solutions and opportunities for the challenges that the projects face, a task that is done by bridging with other institutions and by promoting the communication and articulation between the projects and other institutions.
- **Project promoters** – Their role is to actively collaborate and participate on the SIH's activities. The ten projects are: Associação das comunidades Auto Financiadas Aprender a Empreender, Dentistas do Bem, Do Something!, Escola de Judo Nuno Delgado, Faz-te Forward, Para ti Se Não Faltares, Roldana, Transformers and Vende-se Filmes.
- **Direct beneficiaries of the Projects** – The sum of the target audiences of each project. The target audiences of eight out of the ten projects are children and teenagers.

- **Schools (represented by Professors)** – The Miguel Torga School at S. Brás and the Ave do Amial School at Paranhos are institutional partners responsible for the coordination of the projects' activities, which take place in the schools. Additionally they actively collaborate and participate on SIH's partners' meetings and have individual meetings with the facilitators. In total, the two schools have around 420 students who benefit from the projects' activities.
- **Municipalities and Parishes** – Institutional partners, which are essential in assessing needs and articulating between already existent solutions and the needs of the SIH's projects. Also they actively collaborate and participate on SIH's partners' meetings and have individual meetings with the facilitators.
- **Other local institutions** – Entities that collaborate in the articulation between the existent solutions and the social needs identified in the community. The kind of collaboration with these stakeholders tends to be more *ad hoc*.

In the nonprofit organizations the groups of stakeholders tend to be more diverse and as a consequence it is harder to identify the organization's strategic issues, which means that stakeholders' analysis have an increased importance (Bryson, 1995). For the purpose of this Work Project, the identification of the list of stakeholders was made by the facilitators. From this list, a selection of the material stakeholders is required. These are the ones that experiment significant change from SIH's activities (Nicholls *et. al*, 2009). Conversely, below is a list of the ones that were excluded from this SROI analysis and the respective reasons for exclusion:

- Municipalities, Parishes and other local institutions – Benefits are likely to be too diffuse to measure in this analysis.

- Facilitators – In the SROI analysis the emphasis is on the effects that the activities have on stakeholders and the value that is created for them. The value created for the facilitators comes from their wages and the assumption made is that if the two facilitators were not working at SIH, they would be employed and receiving a similar wage elsewhere. Hence, this is not a significant change to their lives.

ii. Mapping outcomes

At this stage it was introduced the Impact Map (see Appendix I), which is very useful to understand how change happens and the relationship between inputs, outputs and outcomes for each stakeholder. A simplified model is presented below:

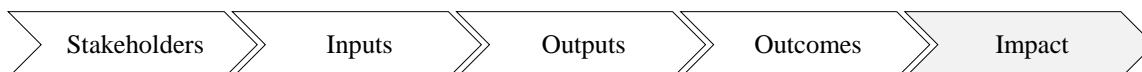


Figure 4. Impact Map (Nicholls *et al*, 2009)

Identifying inputs

The inputs are the resources given by stakeholders that are necessary for the activity to occur. Generally they can assume the form of money, time or people. In order to compute the inputs given by each of the SIH's stakeholders, the following assumptions were made:

- The SEI has a protocolled relationship with EDP Foundation that establishes SEI as the manager of SIH. The value of the contract is 17.762,49€ (IES Management Report, 2011).
- EDP Foundation's contribution is 62.737,51€ (IES Management Report, 2011).
- One of the assumptions of the SROI methodology is that the time spent by the beneficiaries (in the case of the SIH, the direct beneficiaries are the projects and the people that participate in the projects' activities) is not given a financial value. This

hypothesis is currently under debate within the SROI Network (Nicholls *et. al*, 2009).

- The Schools are a key institutional partner. In each territory there is one teacher that attends the partners' meetings (which on average take 1,5 hours). Besides, there were ten individual meetings with each teacher, which took on average one hour. A financial value of the time that teachers' spend with the SIH can be obtained through the opportunity cost. To compute this value, the monthly average gross wage of a teacher after 15 years of service was taken, 1.913,02€⁷. This gives approximately 8€ / hour. Hence, the opportunity cost of attending the meeting partners' is equal to $8€ \times 2 \times 6 \times 1,5h \times 10 \times 1 = 1.440€$

Stakeholders	Inputs	Value €
Project promoters	Attendance to the meeting partners and individual meetings (time)	0,00 €
Projects' beneficiaries	Participation in the projects' activities (time)	0,00 €
EDP Foundation	Investment in SIH (Money)	62.737,51 €
SEI	Contract value (Money)	17.762,49 €
Schools (represented by teachers)	Attendance to the meeting partners and individual meetings (time)	1.440,00€
Total investment		81.940,00€
Present value of annual investment (3 years at 3.5% discount rate⁸)		23.8729,70

Clarifying outputs

Outputs describe the results of the activities in quantitative terms. For each material stakeholder the outputs were as follows:

Stakeholders	Outputs
Projects' promoters	6 partners' meetings; 18 joint activities between projects; 74 individual meeting with projects' promoters; 13 synergies between projects' promoters.
Projects' beneficiaries	Participation in the projects' activities; 18 events.
EDP Foundation	Time (hours) with the coordination of SIH.

⁷ Data from <http://www.tvi24.iol.pt/sociedade/fenprof-ocde-salarios-professores-tvi24-educacao/1280617-4071.html>

⁸ Accordingly to the HM Treasury's Green Book, 3.5% is the discount rate recommend on intergenerational wealth transfers (Nicholls *et. al*, 2009)

SEI	6 partners' meetings; 20 hours consulting services to the projects' promoters; 40 hours spent in the SIH's evaluation.
Schools	6 partners' meetings; 20 individual meetings.

iii. Evidencing outcomes and giving them value

Developing outcomes and their indicators

The outcomes refer to the expected and/or unexpected, positive and/or negative changes resulting from the activities (see Appendix II for a better visualization of SIH's chain of outcomes). The preliminary outcomes from the first year of the SIH were identified by the stakeholders above mentioned, as it is described in the following table:

Stakeholders	Outcomes	Indicators	Data Access	Quantity
Projects' promoters	Greater efficiency due to synergies created by collaboration.	Number of projects that report having benefited from cooperation due to synergies with other projects.	✓	5
	Improved knowledge and skills through sharing best practices.	Number of projects that report improved knowledge and skills through sharing best practices.	✓	8
	Increased effectiveness in solutions' delivery.	Annual variation in the outcomes and outputs of each project attributed to SIH.	×	-
	Greater knowledge of local community.	Number of projects that report greater knowledge of local community.	✓	8
	Overcoming institutional rigidities and bottlenecks in the access to other institutions.	Number of projects that report that it is easier to access local institutions with SIH support.	✓	4
	Enhanced reputation and visibility.	Number of projects that report increase in reputation and visibility due to SIH.	✓	4
	Promote and create new solutions to local needs.	Number of new projects created in response to local needs.	✓	2
Projects' beneficiaries	Improved educational performance of beneficiaries who are at school.	Annual variation of the number of the beneficiaries which improved grades.	✓	22
		Improvement in disorderly behaviors and absenteeism.	×	-
EDP Foundation	The outcomes for this stakeholder are already considered above.	-	✓	-
SEI	Greater know-how in social impact measurement.	Number of workshops given in social impact measurement.	✓	5
Schools	Better articulation with project partners.	Number of schools that report better articulation with the projects and hence a better performance achieved.	✓	2

For each outcome possible indicators were pinpointed. These indicators should allow to conclude if the outcome was achieved (or not) and by how much. Once the indicators are in place, the next step is to collect data about them. Part of the data was collected during the interviews. However, it was not possible to quantify some outcomes, as their calculation was beyond the scope and resources available for this Work Project (one example is the annual variation in the outcomes and outputs of each project attributed to the SIH, which can be computed through control groups). In other cases, when the data was not available, the estimates were based on academic studies or other SROI Reports (University of Salford, 2011; Kennedy, 2010; New Economics Foundation, 2009, Fourth Sector Development, 2007). For instance, to estimate the annual variation of the number of students which improved grades, we know, according to the teachers, that the schools failure rate is around 20%. Also, according to an academic study, 27% of low-income children that participate in after school activities are more likely to improve school grades (Vandell and Pierce, 1999). As there are around 420 students which benefit from the projects' activities it can be expected that 22 students, which are in risk of failure, improve their grades ($420 \times 0.2 \times 0.27 = 22$).

Establishing how long the outcomes last

Some outcomes can last after the end of the SIH's program, therefore continuing to generate value. The SIH outcomes' duration is difficult to estimate not only because it is the first year of the program, but also due to the fact that there are no other programs that can be used to benchmark. In order to have a more consistent idea about this value, it was asked to the stakeholders, what would have happened if the SIH had ceased. 55% of them agreed that the work is not yet consolidated, adding that the outcomes obtained so far would not subsist; 27% referred that the relationships between

the projects created with SIH would be maintained; and finally 18% believed that the work already developed would be extended in the future. Also, the different outcomes might have different durations. With the available data, it is not possible to estimate values with accuracy. Nevertheless, based on other SROI reports the outcomes were estimated to last for three more years after the program (New Economics Foundation, 2009 and Fourth Sector Development, 2007).

Putting a value on the outcome

In order to value the social impact, the next step is to give each outcome a financial proxy. These are values that closely represent the desired outcome, for which exact data is unattainable. To compute financial proxies, there are two types of methods, one being the cost or price-based and the other the value-based monetization (Social Evaluator, 2008). The first consists on the estimation of cost savings or the market price of alternative services provided. The second involves computing the value that a change creates for all stakeholders for which no direct cost (or price) method is available. Both methodologies can be used together. For some outcomes it was not possible to compute financial proxies, because its calculation would require access to unavailable information or using evaluation techniques, like contingent valuation and revealed preferences (Nicholls, 2006), that lie beyond the scope and resources available for this Work Project. The table below shows the financial proxies used and the information required to compute each one of them.

Stakeholders	Outcomes	Financial Proxies	Mapped	Information required and Value
Projects promoters	Greater efficiency due to synergies created by collaboration	Reduction of costs due to collaboration; (Kennedy, 2010)	×	-
	Improved knowledge and skills through sharing best	Costs of training program per person (University of Salford, 2011)	✓	Price of 6 SEI training program, 1,5h. 20€/h <u>Value:</u> 180,00 €

	practices			
	Greater knowledge of local community	Costs saved from outsourcing fieldwork surveys. (University of Salford, 2011)	✓	SEI fieldwork costs (other SEI projects) <u>Value:</u> 1.838,00 €
	Overcoming institutional rigidities and bottlenecks in the access to other institutions	Reduction of costs due to the projects being able to reach more beneficiaries quicker and more efficiently. (University of Salford, 2011)	×	-
	Enhanced reputation and visibility	Costs on advertising and networking saved (University of Salford, 2011)	✓	Knowing that 2% of nonprofit budget is spent on advertising (Princeton Survey Research Associates International, 2008), it was estimated 1% savings in communication due to the SIH (University of Salford, 2011). <u>Value:</u> 1.912,50 €
	Promote and create new solutions to local needs	Social return of the new projects created (1 project created and 1 replica)	×	-
Projects' beneficiaries	Improved educational performance of beneficiaries who are at school	Opportunity cost: Average net annual wage (Nef, 2009)	✓	Average net Portuguese annual wage 2010 (http://www.fnsfp.pt/pdf/E_R06012011.pdf) <u>Value:</u> 9.324,00 €
SEI	Greater know-how in social impact measurement	Costs of training program (University of Salford, 2011)	✓	Price of SEI social impact training program, 3h, 20€/h with 20 participants. <u>Value:</u> 1.200,00 €
Schools	Better articulation with project partners	Price of a team building activity	✓	60€ / person (own internet research). Activity includes 10 project promoters, 1 facilitator and 1 professor in charge for their coordination in schools. <u>Value:</u> 660 €

iv. Establishing Impact

Deadweight, displacement and attribution

In order to estimate the impact and avoid the risk of over claiming (Nicholls *et al.*, 2009), it is necessary to discount the amount of outcomes that would have happened even if the activity had not taken place (deadweight), as well as how much the outcomes

have displaced other outcomes (displacement) and also by how much the outcomes were triggered by the influence and work of other organizations or people (attribution). For all the SIH's short-term outcomes, it was considered 0% deadweight, because it is likely that this change is due to SIH's intervention. Displacement is only applied for certain outcomes (for instance, an after school football activity may displace the beneficiaries' participation in other after school sports activities which also seek to encourage physical exercise as an outcome). For the SIH, there is no evidence of displacement for none of the outcomes.

Finally, to discount for attribution, the perspective and estimation of the facilitators was taken into account accordingly to the following table:

Stakeholders	Outcome	Attribution
Projects' promoters	Improved knowledge and skills through sharing best practices	35%
	Greater knowledge of local community	35%
	Enhanced reputation and visibility	50%
Projects' beneficiaries	Improved educational performance of beneficiaries who are at school	80%
Schools	Better articulation with project partners	30%

Also, for the outcome related with the SEI - "Greater knowledge in social impact measurement" it was estimated an attribution of 20%, as according to the SEI, there was the intention of developing knowledge in this area, but the existence of the SIH leveraged it faster.

Drop-off

The drop-off corresponds to the decline of an outcome over time. It is computed by discounting a fixed percentage from the remaining level of the outcome at the end of each year after the program. Despite one of the main goals of SIH being to achieve sustainability, after the 3-year period of the SIH's intervention some of the outcomes attained by stakeholders might not be maintained at the same level as observed

following the intervention. Nevertheless, for the outcomes related with knowledge acquisition, a 0% drop-off is considered under the assumption that the knowledge is maintained and not lost after the intervention. For the remaining outcomes it is used a 55% drop-off, a corresponding value to the percentage of the stakeholders which agreed if the SIH ceased to exist, the outcomes would not subsist.

Calculating the SIH's impact

In order to calculate the SIH's impact, the financial proxies of each outcome were multiplied by the quantity of the outcomes. For each of them, the attribution and deadweight effects were discounted. The sum is the total impact, which is equal to 71.324,60€.

v. Calculating the SROI

Calculating the net present value (NPV):

To calculate the NPV, costs and benefits have to be taken in account in different time periods. And to allow for comparison between different periods, a 3.5% discount rate is applied, which is the recommended rate on intergenerational wealth transfers, despite being controversial the application of such rate to the social return (Nicholls *et al.*, 2009). The NPV is equal to 49.195,80€.

Calculating the ratio:

By applying the formula to compute the SROI ratio, which is given by $OI = \frac{\text{Total Present value (tangible+intangible)}}{\text{Value of inputs}}$, a value of 1,21€ was obtained. This means that each 1€ invested on the SIH generates 1,21€ in terms of social value.

6. Conclusions

This Work Project has been conducted to deeper understand the social impact measurement field and to answer the question “to which extent is possible to apply the

SROI methodology to the case of the SIH?” Indeed, it was possible to apply it and the final ratio was calculated – 1€ invested on the SIH generates 1,21€ in social value. Nevertheless, there are several limitations which need to be addressed. Also, from the application of the methodology, some recommendations at the strategic level can be outlined to increase the performance and impact of the SIH’s program.

The SIH aims for systemic change leveraged by collective collaboration (Hub de Inovação Social, 2010). This requires a shared vision for change, a joint approach in decision-making and following actions and closely monitoring of its achievements (Kania and Kramer, 2009). However, at the moment, the projects are only being evaluated based on their isolated results and impact. In this sense, and because the projects have reciprocally reinforcing activities, it might be valuable to use a shared measurement system to guarantee that all the efforts are aligned, to compare performances and achieve a greater impact (Kania and Kramer, 2011). This shared measurement system can be jointly developed by the projects, the facilitators and other relevant stakeholders. The SROI can be a proper framework to use.

Regarding the impact measurement, it is important to recognize that the standardization is an important step to advance with rigor and quality in the development of this field (Tuan, 2008). However, the application of the SROI is in its infancy and as an experimental methodology, there is no reliable data, clear boundaries or direct comparators (Nicholls, 2006). This was one strong limitation that I felt during the development of the Work Project. I conducted an extensive research in outcomes databases, in the academic literature and in the SROI reports available in the internet and still, there were very few SROI benchmarking studies and reports to compare and support the SROI application to the SIH.

Because of this lack of backbone knowledge, a careful perspective is required when thinking about using the SROI as a methodology to measure social impact. In the cases where there is no time and/or money to spend in expensive research studies that attempt to monetize the outcomes and impact and there is no credible data yet available, I think that the best and most ethical alternative might be to compute and communicate the cost ratios and complement with a well-founded theory of change, avoiding the use of “financial proxies” to monetize outcomes. This means using only partially the SROI methodology. Note that I do not think one should not invest in developing financial proxies. On contrary, doing it will contribute to the credibility and comparability between the SROI reports (Karoly *et. al*, 2001) and the development of the methodology. What I defend is that one should be careful when using it, because the SROI appears to offer accuracy, but is built in vague assumptions (Nicholls, 2006).

Additionally, in my opinion a forecast SROI can give more interesting results than evaluative SROI, because, with a proper shared measurement system, it will enable the comparison between what was previously expected and what was effectively achieved after the intervention, allowing to verify if the aims were accomplished and learn with the process by incorporating improvements in other replicas or similar programs.

It is also important to note that the SROI analysis presented in this Work Project should not be seen as a final product, but rather as a starting point for dialogue. It can be hugely improved, enriched and validated, specifically with the stakeholders’ perspectives, with the implementation of a shared measurement system and the establishment of control groups. The obvious trade-off is the increase in costs (Arvindson *et al.*, 2010), and the organization that promotes the analysis must be willing to pay for it. One thing I surely learn is that the final SROI ratio is like the tip of

an iceberg. It is only a small evident part of something largely important. The participatory approach, the reasoning and the analysis that the SROI methodology requires, strengths not only the capabilities and management of the organization, but also the social impact measurement field.

Finally, there is a range of questions that I suggest for further research in this area such as, which criteria can be placed to choose the most suitable(s) tool(s) to measure impact? How individual donors and institutional grant makers value impact measurement? What are the motivations of nonprofit to measure their impact? What incentives and disincentives exist for nonprofit organizations to develop reliable comparative indicators? As an attempt to solve social problems, is it collective impact more effective than other types of collaboration? These are very interesting and important questions that lack answers from the literature. And I do hope that my Work Project raise other people' interest in developing academic knowledge in some of the topics above mentioned.

7. References

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